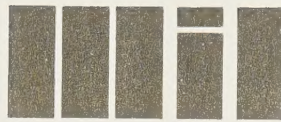


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MANOIR INDUSTRIES LTD.

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FOURTH ANNUAL REPORT/1967



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MANOIR INDUSTRIES LTD.

Head Office — Suite 1030, Place du Canada, Montreal, Que.

OFFICERS

S. R. SABLER	President
J. C. W. ARMSTRONG	Vice-President
S. L. HOLLANDER	Vice-President
M. SILVERBERG	Vice-President
J. J. KATES	Vice-President
D. L. SINCLAIR	Secretary-Treasurer

DIRECTORS

J. C. W. ARMSTRONG	Montreal, Que.
L. M. BLOOMFIELD, Q.C.	Montreal, Que.
S. L. HOLLANDER	Montreal, Que.
J. J. KATES	Montreal, Que.
E. F. C. KINNEAR	Montreal, Que.
S. R. SABLER	Montreal, Que.
M. SILVERBERG	Montreal, Que.
J. H. STOOPS	Montreal, Que.
D. L. SINCLAIR	Toronto, Ont.

REGISTRARS

CANADA PERMANENT TRUST COMPANY	Montreal, Que.
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TRANSFER AGENTS

CANADA PERMANENT TRUST COMPANY — Halifax, Montreal, Toronto and Winnipeg

AUDITORS

THORNE, GUNN, HELLIWELL & CHRISTENSON	Montreal, Que.
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DIRECTOR'S REPORT AND REVIEW

TO THE SHAREHOLDERS

Manoir Industries Ltd.

We enclose herewith the Consolidated Statement of Income covering the operations of your Company for the fiscal year ended December 31, 1967 and the Consolidated Balance Sheet at that date. Also enclosed is a notice calling the Annual General Meeting of Shareholders of the Company on April 30, 1968.

The results of this year's operations show a net profit of \$173,493 after income taxes in comparison with earnings for 1966 of \$299,163.

Despite increased sales, and although our subsidiaries operated profitably during the year, 1967 was a difficult year for the Manoir Group.

A number of factors caused profit margins to shrink. Among these were the delays in bringing the expanded plant facilities of General Freezer Limited into full operation and the softening of the freezer market. Other issues include the rising costs of labour, materials and conditions in the money market generally.

Although earnings are disappointing, your Directors report that steps have been taken which will reflect improvement in the future.

The strain on working capital has prompted your Company to defer the payment of dividends on the common shares. Preferred dividends are being continued on a normal basis. Action has been taken to govern the Company's affairs in accordance with the available financial resources.

It will be of interest to all Shareholders that Manoir Industries Ltd. has acquired a share interest in ISEC Canada Ltd., an investment advisory service marketing satellite stock market computers for the use of brokers, investment analysts and individuals in order to assist in the evaluation of securities. This recent step affords Manoir Industries Ltd. an association with the electronics industry with prospects for additional growth and earnings.

Your Directors wish to express their appreciation for the loyalty and efficient service rendered by the officers and employees of the Company during the year.

On behalf of the Board of Directors

S. R. SABLER
President

Montreal, Quebec
April 16, 1968

MANOIR INDUSTRIES LTD.
and subsidiary companies

CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1967

(with comparative figures for 1966)

	1967	1966
Sales and commissions	\$7,917,191	\$6,450,829
Less cost of sales and operating expenses	7,370,696	5,732,191
Operating profit before undernoted expenses	546,495	718,638
Amortization of share issue expenses	3,343	3,343
Depreciation on fixed assets	72,556	50,319
Directors remunerations	132,096	107,240
Interest on long-term debt	39,288	20,142
Loss on disposal of fixed assets	—	446
	<u>247,283</u>	<u>181,490</u>
	299,212	537,148
Add excess of par value of preference shares purchased for redemption over cost of purchase	5,332	—
Income before income taxes	304,544	537,148
Taxes on income	131,051	237,985
NET INCOME FOR THE YEAR	<u>\$ 173,493</u>	<u>\$ 299,163</u>

MANOIR INDUSTRIES LTD.
and subsidiary companies

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1967

(with comparative figures for 1966)

	1967	1966
BALANCE AT BEGINNING OF YEAR	\$ 390,589	\$ 217,383
Add		
Net income for the year	173,493	299,163
Excess of par value of preference shares purchased for redemption over cost of redemption	—	975
	<u>564,082</u>	<u>517,521</u>
Deduct		
Dividends on		
Preference shares	26,455	27,563
Common shares	96,000	96,000
Adjustment of prior years' income taxes	1,777	3,369
	<u>124,232</u>	<u>126,932</u>
BALANCE AT END OF YEAR (note 8)	<u>\$ 439,850</u>	<u>\$ 390,589</u>

MANOIR INDUSTRIES LTD.

(Incorporated under the laws of the Province of Quebec and subsidiary of Manoir Industries Ltd.)

CONSOLIDATED BALANCE SHEET (with comparative figures for 1966)

ASSETS

	1967	1966
CURRENT ASSETS		
Cash	\$ 38,498	—
Accounts receivable	1,443,206	\$1,229,304
Customers' goods at market	101,328	—
Inventories at the lower of cost and realizable value	1,661,606	1,185,068
Prepaid expenses	34,367	21,179
Collateral bank deposit	—	102,500
Advances to unconsolidated subsidiaries	—	108,192
	<u>3,279,005</u>	<u>2,646,243</u>
INVESTMENT IN UNCONSOLIDATED WHOLLY-OWNED SUBSIDIARY		
Shares in subsidiary, at cost	—	7,500
	<u>—</u>	<u>7,500</u>
OTHER ASSETS		
Special refundable tax	10,396	—
	<u>10,396</u>	<u>—</u>
FIXED ASSETS (note 2)		
Land, buildings and equipment, at cost	1,309,307	1,004,916
Less accumulated depreciation	247,778	217,222
	<u>1,061,529</u>	<u>787,694</u>
INTANGIBLES AND DEFERRED CHARGES		
Share issue expenses (note 3)	3,344	6,687
Deferred charges (note 4)	55,076	3,000
Organizational expenses, at cost	9,442	8,867
Goodwill of subsidiaries, at cost	92,500	92,500
Excess of cost over book value at dates of acquiring shares of subsidiaries	223,247	223,247
	<u>383,609</u>	<u>334,301</u>
	<u>\$4,734,539</u>	<u>\$3,775,738</u>

Approved on behalf of the Board:

S. ROBERT SABLER, *Director*

JOE C.W. ARMSTRONG, *Director*

AUDITOR

To the Shareholders of Manoir Industries Ltd.

We have examined the consolidated balance sheet of Manoir Industries Ltd. and its subsidiary companies for the year then ended. Our examination included a general review of the accounting procedures and such other matters as may be required by the laws of the Province of Quebec and the laws of Canada.

In our opinion the consolidated financial statements referred to above present fairly the financial position of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

Montreal, Canada
April 15, 1968

STRIES LTD.

(In accordance with the laws of Canada)
and its subsidiaries and companies

STATEMENT — DECEMBER 31, 1967
(as at December 31, 1966)

LIABILITIES

	1967	1966
CURRENT LIABILITIES		
Bank advances (secured)	\$1,270,718	\$1,004,330
Accounts payable and accrued liabilities	1,155,721	604,315
Income and other taxes payable	89,617	124,766
Principal instalments due within one year on long-term debt	25,644	37,000
	<u>2,541,700</u>	<u>1,770,411</u>
LONG-TERM DEBT (note 5)		
Loans, mortgages and debenture	582,591	482,699
Less principal instalments included in current liabilities	25,644	37,000
	<u>556,947</u>	<u>445,699</u>
DEFERRED INCOME TAXES (note 6)	<u>97,422</u>	<u>40,219</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized		
50,000 6% Cumulative, preference shares, par value \$10 redeemable at \$10.50 per share		
1,000,000 Common shares without nominal or par value		
Issued		
42,630 Preference shares (note 7)	426,300	456,500
800,000 Common shares	672,320	672,320
	<u>1,098,620</u>	<u>1,128,820</u>
RETAINED EARNINGS (note 8)	439,850	390,589
	<u>1,538,470</u>	<u>1,519,409</u>
	<u>\$4,734,539</u>	<u>\$3,775,738</u>

REPORT

as at December 31, 1967 and the consolidated statements of income, retained earnings and source and application of accounting records and other supporting evidence as we considered necessary in the circumstances. The results of the companies as at December 31, 1967 and the results of their operations and the source and application of funds is consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants

MANOIR INDUSTRIES LTD.

and subsidiary companies

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31, 1967

(with comparative figures for 1966)

	1967	1966
SOURCE OF FUNDS		
Operations		
Net income for the year	\$ 173,493	\$ 299,163
Add items not involving a current outlay of funds		
Depreciation and amortization	75,899	53,662
Deferred income taxes	57,203	40,219
Loss on disposal of fixed assets	—	446
	306,595	393,490
Increase in long-term debt (net)	111,248	133,449
Proceeds from sale of fixed assets	2,500	1,610
Decrease (increase) in investment of non-consolidated subsidiaries	7,500	(2,500)
	427,843	526,049
APPLICATION OF FUNDS		
Additions to fixed assets	348,891	305,310
Deferred charges	52,076	3,000
Preference shares purchased for redemption	30,200	10,525
Special refundable taxes	10,396	—
Adjustment of prior years' income taxes	1,777	3,369
Organization expenses	575	420
Dividends on		
Preference shares	26,455	27,562
Common shares	96,000	96,000
	566,370	446,186
INCREASE (DECREASE) IN WORKING CAPITAL	(138,527)	79,863
WORKING CAPITAL AT BEGINNING OF YEAR	875,832	795,969
WORKING CAPITAL AT END OF YEAR	\$ 737,305	\$ 875,832

MANOIR INDUSTRIES LTD.

and subsidiary companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1967

1. BASIS OF CONSOLIDATION

The consolidation includes the following wholly-owned subsidiaries of the company:

Aspera Frigo (Canada) Ltd.
General Freezer Limited
Kates International Corporation Ltd.
Maso Import Ltd.
Manoir Industries (Bahamas) Limited
Mouton Processors Limited

The consolidation includes the operations of Aspera Frigo (Canada) Ltd. for the eighteen month period ended December 31, 1967. The operating results of the first six months of this period were not significant.

2. FIXED ASSETS

	1967			1966
	Cost	Accumulated Depreciation	Net	Net
Land	\$ 36,418	—	\$ 36,418	\$ 36,418
Buildings	678,128	55,081	623,047	447,038
Machinery and equipment	587,315	192,201	395,114	303,613
Leasehold improvements	7,446	496	6,950	625
	<u>\$1,309,307</u>	<u>\$247,778</u>	<u>\$1,061,529</u>	<u>\$787,694</u>

3. SHARE ISSUE EXPENSES

The share issue expenses are being amortized over a five year period. The amount amortized for the year amounted to \$3,343. For corporation income tax purposes, the total expenses of \$16,718 have been charged against taxable income of the 1964 taxation year.

4. DEFERRED CHARGES

Included in deferred charges is an amount of \$50,000 which represents pre-production and start-up expenses of General Freezer Limited. These expenses were incurred to bring the company's newly-constructed manufacturing facilities into full production. The company plans to amortize these expenses over future production.

5. LONG-TERM DEBT

The long-term debt of the company and its subsidiaries consist of the following:

	1967	1966
(a) 8½% Loan payable, due August 31, 1967	\$100,000	—
(b) 8½% Loan payable, due January 15, 1969	200,000	\$200,000
(c) 7½% Serial debentures originally maturing on June 1, 1968 with annual capital payments of \$12,000	60,000	60,000
(d) 7% Mortgage payable maturing in 1976 with monthly payments including capital and interest of \$1,503	112,341	121,449
(e) 6% Mortgage payable maturing in 1973 with annual capital payments of \$15,000	86,250	101,250
(f) Demand loan	24,000	—
	<u>\$582,591</u>	<u>\$482,699</u>

Due to an agreement subsequent to the year end (note 10) the lender of items (a), (b) and (c) has agreed to subordinate its claim on the above.

MANOIR INDUSTRIES LTD.
and subsidiary companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1967

6. INCOME TAXES

Capital cost allowances and certain fully allowable expenses claimed for income tax purposes in 1967 exceed the depreciation and amortization recorded in the accounts, with the result that income taxes payable for the year have been reduced by \$57,203 (\$40,219 in 1966). This reduction is included in "deferred income taxes" in the accompanying balance sheet, to be taken into earnings of future years when amounts claimed for income tax purposes may be less than amounts recorded in the accounts.

7. PREFERENCE SHARES

50,000 Preference shares issued	\$500,000
4,350 Preference shares redeemed and cancelled in prior years	43,500
	456,500
3,020 Preference shares purchased for cancellation during the year	30,200
	<u>\$426,300</u>

8. RETAINED EARNINGS

In compliance with the requirements of Section 61 (4) of the Canada Corporation Act, \$73,700 of the retained earnings has been designated in the books of the company as capital surplus resulting from the redemption or purchase for cancellation of preferred shares and is not available for distribution.

9. Pursuant to an agreement dated February 28, 1964, the company granted to W. C. Pitfield & Company, Limited an option to purchase 25,000 common shares in the capital of the company at a price of \$3.00 per share if exercised thereafter and on or before March 1, 1969, after which date the option expires. The option granted may be exercised during the prescribed period in whole at any time or in part from time to time.

10. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

On February 29, 1968, General Freezer Limited authorized and issued 12% mortgage bonds in the amount of \$330,000 U.S. The mortgagor, under the terms of the trust deed, assumed the liability of the existing first mortgage on the property in the amount of \$86,250.

This mortgage bond of \$330,000 U.S. is to be repaid in equal monthly amounts over a period of thirty-six (36) months. The balance of \$41,250 U.S. will be due and payable on February 28, 1971.

In lieu of the above, the lender of items (a), (b) and (c) of long-term debt (note 5) has subordinated its rights for payment in full until the terms of repayment of the second mortgage bonds have been fully satisfied.

THE MANOIR GROUP

ASPERA FRIGO (CANADA) LTD.

Exclusive agents in Canada for the products of Aspera Frigo S.P.A., Turin, Italy. The range includes compressors for the refrigerating and air conditioning industries. Other products are small gasoline engines and condensing units.

KATES INTERNATIONAL CORPORATION LTD.

Importers and agents of a wide range of porcelainware and glassware, food, spices, and other products from China for sale to wholesalers and distributors.

MASO IMPORT LTD.

Wholesalers and distributors of China dinnerware, porcelain and glassware, novelties, and other retail store items. The product range includes the Sanette line of first-aid supplies.

MOUTON PROCESSORS LIMITED

Processors and suppliers of sheepskin treated and prepared for assorted uses, such as: "Mouton" fur coats and hats, sheepskin rugs, toys and novelties, lining for coats, boots and slippers. Pastel coverings for shoes and garments. Uses include industrial applications such as paint rollers and buffing pads.

GENERAL FREEZER LIMITED

Manufacturers of domestic chest freezers for the home. The 'General' line also includes the supply of upright freezers and distribution is to both dealers and larger companies.

ISEC CANADA LTD. (Associated with Manoir Industries Ltd.)

Exclusive distributors in Canada for the "Isec 250 System", a consumer investment advisory service, utilizing a small satellite desk top or brief case model analog computer, with weekly programming information to assist clients and brokers to analyze securities.

